



***United States Attorney
Southern District of New York***

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CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
PUBLIC INFORMATION OFFICE
(212) 637-2600

DEA
ELIZABETH JORDAN
(212) 337-2906

NYPD
PAUL J. BROWNE
(646) 610-6700

**UNITED STATES ANNOUNCES DISMANTLING OF MASSIVE
COLOMBIAN DRUG-TRAFFICKING AND MONEY-LAUNDERING RING**

*80 DEFENDANTS CHARGED IN 'OPERATION MALLORCA,'
AN UNDERCOVER INVESTIGATION TARGETING A COLOMBIAN CARTEL AND
THE COLOMBIAN BLACK MARKET PESO EXCHANGE;
\$50 MILLION IN DRUGS AND \$7 MILLION IN DRUG MONEY SEIZED*

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, and HUMBERTO S. GARCIA, the United States Attorney for the District of Puerto Rico, joined by JOHN P. GILBRIDE, the Special Agent in Charge of the United States Drug Enforcement Administration ("DEA") in New York, RAYMOND W. KELLY, the Commissioner of the New York City Police Department (the "NYPD"), and WAYNE E. BENNETT, the Superintendent of the New York State Police ("NYSP"), announced today the coordinated dismantling of a massive Colombian drug-trafficking and money-laundering organization that imported more than \$50 million worth of narcotics from Colombia into the United States,

and then laundered the resulting drug dollars through the highly secretive and sophisticated Colombian Black Market Peso Exchange.

Mr. KELLEY and Mr. GARCIA announced the unsealing of narcotics-trafficking, money-laundering, and illegal wire-transmitting charges in the Southern District of New York and the District of Puerto Rico against a total of 80 members of the criminal organization in the United States, Canada, and Colombia; the seizure of \$50 million worth of cocaine, heroin, and marijuana in New York, Puerto Rico, and Antigua; and the seizure of \$7 million in narcotics proceeds from the organization's operatives and bank accounts in New York, Puerto Rico, and Miami.

During the course of the investigation, law enforcement officers seized more than \$50 million worth of the criminal organization's illegal narcotics destined for United States streets. In November 2003, authorities seized more than 725 pounds of the organization's cocaine in New York. In June 2004, more than 20,000 pounds of Colombian marijuana was seized from a fishing vessel off the coast of Antigua on its way to the United States. Finally, in June 2004, authorities seized more than 1,000 pounds of cocaine and heroin in Puerto Rico from the criminal organization.

The international takedown announced today also completely dismantled the Colombian cartel's money-laundering operations. During the course of the investigation, more than

\$7 million in the organization's drug money was seized by authorities from criminal operatives in New York, Puerto Rico, Florida, and Colombia, as well as from bank accounts used to receive and launder the drug proceeds at various banks in Miami.

The Indictment unsealed today in the Southern District of New York charges that members of the Colombian cartel used the highly secretive and sophisticated Black Market Peso Exchange (the "BMPE") to launder more than \$50 million in drug proceeds. The BMPE is an informal currency exchange system in which one or more "peso brokers" serve as middle-men between narcotics traffickers who control massive quantities of drug money in cash in the United States and Canada and companies and individuals in Colombia who want to purchase U.S. dollars outside the legitimate Colombian banking system to avoid the payment of taxes, import duties and transaction fees owed to the Colombian government.

The BMPE system involves three steps. First, narcotics traffickers enter into contracts with peso brokers in which the brokers deliver pesos in Colombia in return for cash drug money in the United States and Canada. Second, peso brokers use accounts in the United States or other countries outside Colombia to place the narcotics proceeds into the international banking system. Finally, peso brokers enter into contracts with Colombian companies or individuals wanting to evade Colombian taxes and import duties who deliver pesos to the brokers in

Colombia in exchange for wire transfers of U.S. drug dollars. Both transactions are verbal, without any paper trail, and the disconnection between the peso transactions in Colombia and the dollar transactions outside Colombia make discovery of the money laundering by international law enforcement extremely difficult. Because of these inherent advantages, the BMPE system has become one of the primary methods by which Colombian cartels launder their drug money.

"Operation Mallorca," a two-year joint Organized Crime Drug Enforcement Task Force ("OCDETF") investigation, was supported by the United States Attorney's Offices for the Southern District of New York and the District of Puerto Rico, the DEA, the NYPD, the New York State Police ("NYSP"), the Office of the New York Special Narcotics Prosecutor ("ONSNP"), the United States Internal Revenue Service ("IRS"), the Department of Homeland Security, Bureau of Immigration and Customs Enforcement ("ICE"), the Puerto Rico Police Department, the Puerto Rico Special Investigations Bureau, and the Colombian Departamento Administrativo De Seguridad in Bogota, Colombia, and targeted every level of the BMPE system, from the narcotics traffickers importing more than \$50 million worth of cocaine, heroin, and marijuana from Colombia into the United States, to the peso brokers dealing directly with the narcotics traffickers and their operatives in the United States and Canada, right down to the

Colombian companies and individuals facilitating the system by purchasing the drug dollars.

If convicted, the 80 defendants charged in New York and Puerto Rico face a maximum sentence of life and a minimum sentence of 10 years' imprisonment on the narcotics charges; a maximum sentence of 20 years' imprisonment on the money-laundering charges; and a maximum sentence of 5 years' imprisonment on the illegal wire-transmitting charges. In addition, various defendants face forfeiture allegations of more than \$50 million.

Mr. KELLEY praised the investigative efforts of the DEA, the NYPD, the NYSP, the ONSNP, the IRS, ICE, the Puerto Rico Police Department and Special Investigations Bureau, and the Colombian DAS.

Assistant United States Attorneys BOYD M. JOHNSON III, VIRGINIA CHAVEZ, and CHRISTINA BISCHOFF are in charge of the prosecution in the Southern District of New York. Assistant United States Attorney ERNESTO LOPEZ is in charge of the prosecution in the District of Puerto Rico.

The charges unsealed today are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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